

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 TRSE-00 /018 W

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P 122110Z MAY 75

FM AMEMBASSY ASUNCION

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC PRIORITY 4900

C O N F I D E N T I A L ASUNCION 1802

E.O. 11652: GDS

TAGS: BEXP, PA

SUBJECT: YACYRETA HYDROELECTRIC PROJECT

REF: STATE 107708

1. AS REQUESTED REFTEL, EMBOFF DISCUSSED PARAGUAYAN REACTION TO POSSIBILITY OF FORMATION OF U.S. CONSORTIUM TO BID ON YACYRETA WITH FOREIGN MINISTER SAPENA PASTOR. FOREIGN MINISTER STATED THAT PARAGUAY LOOKED UPON THE FORMATION OF THE U.S. CONSORTIUM WITH GREAT INTEREST AND WOULD BE VERY FAVORABLY DISPOSED TOWARDS BID SUBMISSION OF A MECHANICAL AND ELECTRICAL EQUIPMENT PACKAGE FROM THEM. THE PROBLEM OF FINANCING FOR YACYRETA WAS SERIOUS, HE SAID, AND INTERNATIONALLY KNOWN U.S. FIRMS OFFERED BEST CHANCE FOR SUPPLIER CREDITS AND POSSIBLE EXIM GUARANTEES.

2. IN EMBASSY'S VIEW, THERE IS NO QUESTION THAT THERE ARE VERY REAL ADVANTAGES IN FORMING US CONSORTIUM TO MAKE A JOINT U.S. EQUIPMENT PROPOSAL. HOWEVER, THERE MAY BE POTENTIAL PROBLEMS IN PLANS FOR THE EARLY SUBMISSION OF AN UNSOLICITED BID. (FYI. EMBASSY IS CONCERNED THAT THE EXTENT OF PARAGUAYAN ACCEPTANCE OF THE MANNER AND TIMING OF THIS PROPOSAL AND THE LIKELIHOOD OF ITS ULTIMATE SUCCESS MAY HAVE BEEN PORTRAYED IN AN OVERLY OPTIMISTIC LIGHT BY INGPARTEC, BURNS AND ROE ASSOCIATE IN ASUNCION. THIS COMMENT REGARDING INGPARTEC SHOULD NOT, REPEAT CONFIDENTIAL

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NOT, BE DISCUSSED WITH ANY OF THE COMPANIES

CONCERNED BECAUSE OF LIKELIHOOD IT WOULD BE
REPEATED TO INGPARTEC PRESIDENT, AND THUS ENDANGER
SENSITIVE RELATIONSHIP EMBASSY HAS WITH HIM. END FYI.)

3. IN THIS REGARD, EMBASSY REGRETS THAT ALLIS CHALMERS'
OFFICIALS DID NOT MAKE SCHEDULED VISIT ASUNCION.
OPPORTUNITY OFFERED BY SUCH A VISIT FOR DISCUSSIONS
WITH EMBASSY COULD HAVE BEEN OF ASSISTANCE IN ALLIS
CHALMERS' EFFORTS TO PLAN STRATEGY FOR BID SUBMISSION.

4. WHILE, AS STATED ABOVE, EMBASSY BELIEVES THAT
CONSIDERABLE ADVANTAGE WILL BE GAINED BY FORMATION OF
CONSORTIUM, TIMING AND MANNER OF SUBMISSION OF BID
PROPOSAL IS EXTREMELY DELICATE MATTER WHICH COMPANIES
CONCERNED SHOULD DECIDE ONLY AFTER CAREFUL DELIBERATION.
EMBASSY WOULD WELCOME VISIT FROM OFFICIALS OF COMPANIES
CONCERNED FOR PURPOSE DISCUSSION THIS MATTER.
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